

Message Text

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SUBJECT: CFF PROGRAM IN LEBANON

REF: A. BEIRUT 0631 B. PILZER-ATALLAH TELEX
JANUARY 11, 1978

1. THANK YOU FOR YOUR LAST CABLE REGARDING THE RESUMPTION
OF CFF PROGRAM IN LEBANON. EXIMBANK APPRECIATES YOUR
COOPERATION AND ASSISTANCE.

2. PARAGRAPH SIX OF YOUR LATEST CABLE PRESENTS THREE
ALTERNATIVE PROPOSALS CONCERNING ESTABLISHMENT OF CFF
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LINES OF CREDIT IN LEBANON. WITHOUT EXPLORING THE
ADVANTAGES AND DISADVANTAGES OF EACH PROPOSAL, PLEASE
BE ADVISED EXIMBANK FORESEES SIGNIFICANT ADMINISTRATIVE
DIFFICULTIES WITH THE FIRST PROPOSAL AND VIEWS THE
SECOND PROPOSAL AS THE MOST PRACTICAL AND EXPEDIENT
ALTERNATIVE. THEREFORE, PLEASE BE ADVISED THAT
EXIMBANK IS NOW PREPARED TO CONSIDER A REQUEST FOR A
NEW CFF FROM THE NATIONAL BANK FOR TOURISM AND

DEVELOPMENT (NBTD). ASSUMING NBTD TENDERS A REQUEST FOR NEW CFF, EXIMBANK WILL REQUIRE THE FOLLOWING INFORMATION:

A. AN OPINION FROM THE MINISTER OF JUSTICE STATING THAT THE OBLIGATIONS OF NBTD ARISING OUT OF CFF TRANSACTIONS BETWEEN EXIMBANK AND NBTD ARE SUPPORTED BY THE FULL FINANCIAL RESOURCES OF THE GOVERNMENT OF LEBANON AND THAT SUCH OBLIGATIONS SHALL RANK EQUALLY WITH ALL OTHER OBLIGATIONS OF THE GOVERNMENT OF LEBANON.

B. AN INDICATION REGARDING THE NEED FOR EXIMBANK'S GUARANTEE IN FINANCING 42.5 PERCENT OF CFF EXPORT LOAN TRANSACTIONS (SEE PILZER'S TELEX TO DR. ATALLAH OF 1-11-78). NBTD MAY HAVE THE DOLLAR RESOURCES AND/OR THE ABILITY TO BORROW DOLLARS FROM U.S. BANKS ON A MEDIUM TERM BASIS WITHOUT EXIMBANK'S GUARANTEE. IF SO IT WILL NOT BE NECESSARY FOR EXIMBANK TO GUARANTEE U.S. BANK PARTICIPATION ON 42.5 PERCENT OF THE EXPORT FINANCING AND OUR RISK EXPOSURE WOULD BE REDUCED ON EACH EXPORT TRANSACTION FROM 85 PERCENT PER TRANSACTION TO 42.5 PERCENT PER TRANSACTION.

3. ASSUMING NBTD WILL NOT REQUIRE EXIMBANK'S CFF GUARANTEE, NBTD SHOULD REQUEST AN INITIAL CFF CREDIT LIMITED OFFICIAL USE

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LINE OF U.S. DOLS 6 MILLION WHICH WOULD FINANCE APPROXIMATELY U.S. DOLS 14.1 MILLION OF U.S. EXPORTS DURING THE FIRST YEAR OF OPERATION. SHOULD NBTD REQUIRE CFF GUARANTEE, MAY WE SUGGEST AN INITIAL REQUEST FOR A U.S. DOLS 3 MILLION CFF CREDIT LINE AND A U.S. DOLS 3 MILLION CFF GUARANTEE WHICH WOULD FINANCE APPROXIMATELY U.S. DOLS 7 MILLION OF U.S. EXPORTS DURING THE FIRST YEAR OF OPERATION. AS YOU CAN SEE, EXIMBANK'S RISK EXPOSURE IN APPROVING A U.S. DOLS 6 MILLION CFF CREDIT LINE WITH NO CFF GUARANTEE EQUALS THE RISK EXPOSURE OF A U.S. DOLS 3 MILLION CFF CREDIT LINE AND A U.S. DOLS 3 MILLION CFF GUARANTEE. PLEASE ADVISE. VANCE

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